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SUBJECT: DAS FEIGENBAUM PRESSES POSSIBILITIES FOR SYNERGIES
WITH INDIAN MOD DG (ACQUISITIONS) SHARMA

Classified By: PolCouns Ted Osius for Reasons 1.4 (B, D)

¶1. (C) Summary. In a January 24 meeting with Ministry of Defense Director General (Acquisitions) S.K. Sharma, SCA Deputy Assistant Secretary Evan Feigenbaum:

-- pressed for defense cooperation to be one impetus for moving the broader bilateral relationship forward;
-- stressed that India has wide bipartisan support in the United States, and that such support will surely continue with the next Administration; and
-- promoted the superiority of American defense products, emphasizing the high levels of U.S. technology, the reliability of America as a business partner, and the possibility for synergies in our defense relationship.

Sharma:

-- noted recent successes in the defense cooperation area, citing the pending agreement of an LOA for the C-130J deal and negotiations with Boeing for the maritime reconnaissance aircraft;
-- called for more direct commercial sales deals, describing them as advantageous over FMS;
-- reported that feedback provided to him by U.S. companies suggested that the State Department's licensing procedures need to be streamlined to allow American firms to timely respond to RFPs;
-- said he expected pending agreements to be concluded soon, predicting -- in order -- that agreements on End Use Monitoring, CISMOA and LSA were close to gaining Indian approval;
-- reiterated GOI concerns that EUM on-site inspections were problematic, as they could compromise Indian security; and
-- stated that while India's current offset policy guides today's offset programs, the GOI is considering changes such as indirect offsets, multipliers and credit banking in future policies. End Summary.

¶2. (C) DAS Feigenbaum began his January 24 meeting with MOD

DG (Acquisitions) Sharma by noting the positive trend in U.S.-India relations and pressing for increased defense cooperation as one element that could help move the broader bilateral relationship

forward. Noting the bipartisan support in Washington for the emerging U.S.-India strategic relationship, DAS

Feigenbaum said he

believed relations will continue to improve with the next Administration, adding that there are steps both sides can take now and over the course of 2008 to institutionalize the progress made to date. He

pointed out that there are numerous possibilities for synergies in our defense cooperation, stressing the superiority of U.S. technology and the reliability of the U.S. as a defense partner.

¶3. (C) DG Sharma described our defense cooperation as "more intensive and engaged" than before, saying India was "eager to sign" the LOA for C-130J deal and noting negotiations had begun with Boeing for the purchase of a maritime reconnaissance aircraft, the P-8. (Note: Later in the day a local Lockheed Martin representative notified Post that, in fact, the Cabinet Committee on Security had just approved the LOA for the C-130J. End Note.) Sharma said India would like to see more direct commercial sales with the United States, arguing that while FMS cases worked well for sole-source procurements, MOD felt the increased competition offered by private participation would allow more American companies to compete for Indian contracts, thereby providing more and better alternatives for India. However, Sharma related, feedback he has received from U.S. companies, such as during the industry day at the recent DPPG, was that the "State Department's" (sic) lengthy licensing procedures made it difficult for American firms

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to meet the three-month deadline for responding to Indian RFPs. DAS Feigenbaum reminded Sharma that the State Department's Bureau of Political-Military Affairs had an open offer to the MOD

for direct digital videoconferencing to address any problems with licensing issues, and said the U.S. would welcome more systematic discussion on licensing issues. Sharma said a systematic approach could be helpful, but that India was indirectly involved -- it was the American companies he heard from that had the problems which needed addressing.

¶4. (C) Sharma said he expected pending agreements associated with defense cooperation to be completed soon. He predicted that the End Use Monitoring agreement could be completed first, as internal GOI deliberations on it were the furthest advanced, followed by CISMOA and then LSA. Sharma said EUM was only being held up by India's Law Ministry, adding that at a side meeting of the DPPG he had attended, Admiral Wierenga had given him the impression that recent Indian suggestions on language would be workable. However, Sharma stated, reiterating the GOI position, India will not agree to the standard text proposed by the U.S. allowing for on-site inspections. Sharma pointed out that India sees the on-site inspections as part of U.S. policy, whereas the actual law only calls for "verification."

¶5. (C) Turning to the issue of offsets, Sharma admitted India had little experience in implementing offset programs, as it was just now beginning its first offset cases. While the Defense Procurement Policy of 2006 was the current guiding principle for offsets, the GOI will be willing to consider changes in the next version of the policy, to possibly include indirect offsets, multipliers and credit banking.

¶6. (C) Sharma ended the meeting by saying he had found the DPPG to be very helpful, emphasizing the word "very." He agreed with DAS Feigenbaum's assessment that the meetings

provided good movement on substantive issues. He also expressed appreciation for the insight gained by meeting with private companies.

¶7. (U) DAS Feigenbaum has cleared this cable.
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